Western Cape Government

Human Settlements

Western Cape Housing Development Fund

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The Western Cape Housing Development Fund (WCHDF) is a statutory body established under the Western Cape Housing Development Act, 1999, (Act No. 6 of 1999).

The Western Cape Housing Development Fund (WCHDF) is an unlisted Public Entity in terms of Section 47 (2) of the Public Finance Management Act, 1999, (Act No. 1 of 1999) and is a subsidiary of the Western Cape Government Department of Human Settlements.

The mission of the Western Cape Housing Development Fund (WCHDF) is to manage the Fund's primary property portfolio which is provided as a social service. The Fund holds housing stock used to provide housing to the poor.

During the 2016/2017 financial year all assets liabilities and income has been amalgamated with the Department of Human Settlements. This is as a result of a technical consultation with the Auditor-general and Provincial Treasury. It will now be a dormant entity until March 2019 when it will be disestablished.

Accounting Officer's Responsibilities and Approval

PART 1: GENERAL INFORMATION

General Information

1.1 Submission of the Annual Report to the Executive Authority

I have the honour of submitting the 2016/17 Annual Report of the Western Cape Housing Development Fund (WCHDF) in terms of the Public Finance Management Act (PFMA), Act 1 of 1999 (as amended by Act 29 of 1999).

ACCOUNTING OFFICER
THANDO MGULI
DATE: 31 July 2017

Accounting Officer's Responsibilities and Approval

1.2 Introduction by the Accounting Officer

The National Housing Fund was created in terms of the Housing Act, No.4 of 1966 to fund housing projects in the form of soft loans to municipalities/local authorities and these loans were redeemable over a 30-year period.

With the introduction of the Tri-Cameral Parliamentary System in 1983, four additional Funds and statutory bodies were established in addition to the National Housing Fund and necessitated the transfer of properties.

Prior to 1994, the Housing Arrangements Act, 1993 was promulgated which led to the creation of the South African Housing Fund and simultaneously abolished all the five former Funds and statutory bodies. With the promulgation of the Housing Act, 1997, (Act 107 of 1997), the South African Housing Development Board was established.

Although the Western Cape Housing Development Amendment Act, 2005, (Act 2 of 2005) provides for the abolition of the Western Cape Housing Development Board (WCHDB), the Western Cape Housing Development Fund (WCHDF) continued to exist as an unlisted public entity being administered by the Western Cape Government Department of Human Settlements.

Further to the above, MINMEC also made a decision in 2002 to de-establish the South African Housing Fund (SAHF) and Provincial Housing Funds (PHF), but the legislative processes are still in progress which provides for the de-establishment of such statutory bodies. According to the National Department of Human Settlements, the process of amending the Housing Act is being prolonged by the formulation of a White Paper on Human Settlements that will inform the major content of the amendment bill.

The WCHDF prepared its financial statements for the 2016/17 financial year in accordance with the GRAP reporting framework.

The Auditor-General of South Africa has issued a financial clean audit report on the financial statements of the WCHDF for the 2016/17 financial year.

Furthermore, the Fund's accounting system is maintained on a cash basis (using the Basic Accounting System (BAS) of the Department, while the financial statements are prepared on an accrual basis of accounting.

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During the current year audit a Technical opinion was sought and this resulted in all the immovable assets and related revenue to be moved from the Western Cape Housing Development Fund to the Department of Human Settlements. This is the reason for the nil values on the Financial Statements.

The Fund has technically been disestablished, but will still submit financial statements up until the official disestablishment in March 2019.

The Fund has not reported against predetermined objectives as it is reported upon in the annual report of the Department of Human Settlements.

PART 2: GOVERNANCE

INTRODUCTION

The leadership team of the Department of Human Settlements which includes the Western Cape Housing Development Fund (WCHDF) is committed to maintain the highest standards of governance and therefore strives to conform to the governance principles highlighted in the King Code of Governance for South Africa released in 2009. In terms of these principles, the following make up the Department's governance structures:

- An Executive Committee which determines the strategy and leads the Department towards realizing its strategy and strategic goals.
- An Enterprise Risk Management Committee (which is dealt with in more detail in paragraph 2);
- An Audit Committee providing independent oversight over governance, risk management and control processes of the Department which include the WCHDF;
- An independent Internal Audit function providing independent assurance that controls are in place to manage and mitigate risks and that they are adequate and functioning effectively; and
- Other committees that assist the Accounting Officer and Executive Committee in governing the business of the Department in a fair, responsible, and transparent manner.

2.RISK MANAGEMENT

The Accounting Officer (AO) for the Department of Human Settlements which include the Western Cape Housing Development Fund (WCHDF), takes responsibility for implementing Enterprise Risk Management (ERM) in accordance with the National Treasury Public Sector Risk Management Framework (PSRMF) and the Directorate Enterprise Risk Management (D:ERM) in the Department of the Premier (DotP) provides a centralised strategic support service to the Department.

In compliance with the National Treasury Public Sector Risk Management Framework (PSRMF) and to further embed risk management within the Department, the Western Cape Government (WCG) has adopted an ERM Policy Statement which sets out the WCG's overall intention with regard to ERM. The Department adopted an ERM Policy 2015/16 – 2019/20, approved by the Accounting Officer on 29 April

Accounting Officer's Responsibilities and Approval

2015; and an ERM Strategy and Implementation Plan for 2016/17, approved by the Accounting Officer on 16 February 2016. The ERM Implementation Plan gave effect to the departmental ERM Policy and Strategy and outlines the roles and responsibilities of management and staff in embedding risk management in the department.

Enterprise Risk Management Committee

The Department established an Enterprise Risk Management Committee (ERMCO) to assist the Accounting Officer in executing his responsibilities relating to risk management. The Committee operated under a Terms of Reference approved by the Accounting Officer on 16 February 2016. ERMCO evaluated the effectiveness of the mitigating strategies implemented to address the risks of the Department and recommended further action where relevant. The attendance of committee meetings is listed in the table below:

Member	Position	Scheduled Meetings	Attended
Mr. T Mguli	HOD	4	4
Mr. F De Wet	CFO	4	4
Mr. M Stoffels	Director: Financial Management	4	2

The Audit Committee provided independent oversight of the Department's system of risk management which includes the WCHDF. The Audit Committee was furnished with Quarterly ERM progress reports and departmental risk profiles and registers to execute their independent oversight role. The Audit Committee's evaluation of the risk management process was in relation to the progress of implementation of the ERM Implementation Plan and this also includes risks faced by the Department and its relevant risk response/treatment strategies.

Risk management process

The Department assessed significant risks that could have an impact on the achievement of its objectives, both strategically and on a programme level, on a quarterly basis. Risks were prioritised based on its likelihood and impact (inherently and residually) and additional mitigations were agreed upon to reduce risks to acceptable levels. New/emerging risks were identified during the quarterly review processes.

Accounting Officer's Responsibilities and Approval

Impact on institutional performance

The Department received the necessary guidance and assistance from Enterprise Risk Management (ERM) to be in line with the Audit Committee's compliance requirements on a quarterly basis. Internal Control on the other hand provides a co-ordination/secretariat role between ERM, audit committee and the department.

3. FRAUD AND CORRUPTION

The Western Cape Government (WCG) adopted an Anti-Corruption Strategy which confirms the Province's zero tolerance stance towards fraud and corruption. The Department has an approved Fraud Prevention Implementation Plan which gives effect to the Fraud Prevention Plan.

Various channels for reporting allegations of fraud and corruption exist and these are described in detail in the Provincial Anti-Corruption Strategy and the Departmental Fraud Prevention Plan. Each allegation received by the Provincial Forensic Services (PFS) Unit is recorded in a Case Management System which is used as a management tool to report on progress made with cases relating to the Department and generating statistics for the Province and Department.

Employees who blow the whistle on suspicions of fraud, corruption and theft are protected if the disclosure is a protected disclosure (i.e. meets statutory requirements, e.g. was made in good faith). In this regard a transversal Whistle-blowing Policy was approved on 24 February 2016 to provide guidelines to employees on how to raise concerns with the appropriate line management, specific designated persons in the WCG or external institutions, where they have reasonable grounds for believing that offences or improprieties have been or are being perpetrated within the WCG. The opportunity to remain anonymous is afforded to any person who would like to report acts of fraud, theft and corruption and should they do so in person, their identities are kept confidential by the person to whom they are reporting.

Once fraud or corruption is confirmed after completion of an investigation, the relevant employee who participated in these acts is subjected to a disciplinary hearing. In all such instances, the WCG representative initiating the disciplinary proceedings is required to recommend dismissal of the employee concerned. Where prima facie evidence of criminal conduct is detected, a criminal matter is reported at the South African Police Services.

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4. PORTFOLIO COMMITTEES

No portfolio committee meetings were held for the WCHDF, for the year under review.

5. SCOPA RESOLUTIONS

The Western Cape Housing Development Fund received its funding from the Department of Human Settlements under Programme 4; therefore, this statutory body did not receive a separate budget allocation.

The Committee noted the Auditor-General's audit opinion regarding the Entity's Annual Financial Statements for the 2015/16 financial year, having obtained an unqualified audit opinion with findings relating to compliance with laws and regulations, as it relates to material misstatements in the submitted financial statements that were corrected by the Entity. This audit opinion is an improvement from the 2014/15 financial year, where the Entity received a qualified audit opinion.

The Committee notes that the findings of the Auditor-General relate to the following factors:

- The financial statements submitted for auditing were not prepared in accordance with the requirements of section 14(1)(h)(ii) of the Western Cape Housing Development Act (Act 6 of 1999). Material misstatements on property, plant and equipment and reserves, identified by the auditors in the submitted financial statements, were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion with matters;

- The leadership of the Entity did not ensure that its action plan was adequately monitored to prevent the recurrence of findings on the maintenance of the asset register that were reported in prior financial years. This resulted in a material misstatement in the financial statements that were subsequently corrected by management; and

- The Entity's management did not implement adequate monthly processes and review the financial information to prevent or detect material misstatements in their financial statements.

Resolutions

None

List of Information Requested

None

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6. PRIOR MODIFICATIONS TO AUDIT REPORTS

No matters have given rise to a qualification, disclaimer, adverse opinion, and matters of non-compliance for the Western Cape Housing Development Fund. The WCHDF received an unqualified financial Audit Report for the previous financial year and a financial clean audit report for the 2016/17 financial year.

7. INTERNAL CONTROL UNIT

During the year under review, the sub directorate: Internal Control once again played a valuable role in respect of the linkage between the auditors (external and internal) and the WCHDF, which is an unlisted entity resorting under the Department, during the audit processes. In respect of the external audit process all the requested documentation (i.e. Requests for Information, Communication of Audit Findings, departmental responses in respect of the WCHDF and related matters, etc.) were coordinated and quality assured by this unit in a timely manner. Within the sub directorate Internal Control, a panel has been established headed by the Director: Financial Management, with the aim to address/review and discuss all audit related matters and risks during the audit process on a regular basis.

In respect of the internal audit process, the unit provides assistance with the follow up of recommendations arising from the internal audits due to the fact that Internal Audit does not have the capacity to provide this coverage. Internal Control is also responsible for providing all relevant documentation requested by the Internal Auditors during the execution phase of their audits. Senior staff of the unit also serve on the Departmental Internal Audit Steering Committee that meets on a monthly basis to discuss the outcomes and progress as per the Internal Audit Plan (which included the WCHDF as part of the programme for 2016/17), which includes the audit outcomes in respect of finalised audits and progress made in respect of previous recommendations/action plans.

On the compliance side, this unit performed a 100% post checking on all payments made by the Department included property payments relating to the WCHDF to avoid non-compliance and to ensure correctness and value for money. Internal Control also ensures that these payments are paid within the prescribed 30 days by coordinating the flow of invoices from suppliers which include municipalities in respect of Rates and taxes relating to the WCHDF to the Department (different directorates) up to the processing thereof on a monthly basis. The unit is also responsible for reporting to Provincial Treasury on a monthly basis regarding the 30-day compliance in terms of NTR's 8.2.3.

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The Department is in the process of enhancing the reporting mechanism in respect of 30 days that is currently manual driven and very time consuming. The My Content Invoice Tracking system that will be utilized to address the shortcoming is currently in a testing face and will only be up and running in the next financial year.

The Western Cape Housing Development Fund (WCHDF) received an unqualified audit opinion during the 2015/16 financial year. To ensure an unqualified audit onion for 2016/17 the Department therefore embarked on a strategy to physically verify the properties. The Internal Control unit mitigated the re-occurrence of negative findings by physically verifying two thousand seven hundred and ninety-eight (2798) properties during the period under review. These initiatives contributed to a smooth and almost problem free audit process with the aim of a positive audit outcome that resulted in a financial clean audit report for the 2016/17 financial year.

During the year under review, the unit was also responsible for coordinating and reporting on the CGRO-GAP in respect of the WCHDF to Provincial Treasury (PT) and the Audit Committee that ensured that all previous AG findings were addressed and subsequently prevented the re-occurrence thereof. A physical verification (walkthrough) was conducted to ensure that control measures as contained in the GAP in respect of the prior year's audit findings were confirmed as implemented. The Audit Committee confirmed that the Fund's Implementation Plan for audit issues raised in the previous year have been adequately addressed and the AG's management report also supports this view.

Internal Control was also responsible for coordinating the SCOPA resolutions and presentations to SCOPA during the year under review. Reporting on all the above issues was done timeously to the different stakeholders'/role player's (i.e. MEC, EXCO, SCOPA, Audit Committee, and PT).

8. INTERNAL AUDIT AND AUDIT COMMITTEES

Internal Audit provides management with independent, objective assurance and consulting services designed to add value and to continuously improve the operations of the Department which include the WCHDF. It assists the Department to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of Governance, Risk Management and Control processes.

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The following key activities are performed in this regard:

- Assess and make appropriate recommendations for improving the governance processes in achieving the department's objectives;
- Evaluate the adequacy and effectiveness and contribute to the improvement of the risk management process;

- Assist the Accounting Officer in maintaining efficient and effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement.

The following consulting engagement was approved in the 2016/17 Internal Audit Plan:
- Western Cape Housing Development Fund

The Audit Committee is established as an oversight body, providing independent oversight over Governance, Risk Management and Control processes in the Department (which include the WCHDF as an unlisted entity which resorted under the Department), which include oversight and responsibilities relating to:
- Internal Audit function;
- External Audit function (Auditor General of South Africa - AGSA);
- Departmental Accounting and reporting;
- Departmental Accounting Policies;
- Review of AGSA management and audit report;
- Review of Departmental In year Monitoring;
- Departmental Risk Management;
- Internal Control;
- Pre-determined objectives;
- Ethics and Forensic Investigations.

9. AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2017.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51 (1) (a) of the Public Finance Management Act (PFMA) and National Treasury Regulations 27. The Audit Committee also reports that it has adopted an appropriate formal Terms of Reference, has regulated

Accounting Officer's Responsibilities and Approval

its affairs in compliance with these Terms and has discharged all its responsibilities as contained therein.

The Effectiveness of Internal Control

The Fund is serviced by the Department of Human Settlements and any internal control deficiencies were reported at the Departmental level.

In-Year Management and Monthly/Quarterly Reports

The Fund has reported monthly and quarterly to the Provincial Treasury as required by the PFMA.
The Audit Committee is satisfied with the content and quality of the quarterly in-year management and performance reports issued during the year under review by the Accounting Officer of the Department in terms of the National Treasury Regulations.

Evaluation of Financial Statements

The Audit Committee has:

- reviewed and discussed the Audited Annual Financial Statements to be included in the Annual Report, with the Auditor-General South Africa (AGSA) and the Accounting Officer;
- reviewed the AGSA's Management Report and Management's responses thereto;
- reviewed changes to accounting policies and practices as reported in the Annual Financial Statements;
- reviewed material adjustments resulting from the audit of the Fund.

Compliance

The Audit Committee has reviewed the Fund's processes for compliance with legal and regulatory provisions.

Provincial Forensics Services

The Provincial Forensic Services (PFS) presented us with statistics. The Audit Committee Monitors the progress of the PFS reports on a quarterly basis. There were no matters brought to our attention that required further reporting by the Audit Committee.

Report of the Auditor-General South Africa

The Audit Committee has, on a quarterly basis, reviewed plan for audit issues raised in the prior year. The Audit Committee has met with the AGSA to ensure that there are no unresolved issues that emanated from the regulatory audit. Corrective actions on the detailed findings raised by the AGSA are monitored by the Audit Committee on a quarterly basis.

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The Audit Committee concurs and accepts the AGSA's opinion regarding the Annual Financial Statements, and proposes that these Audited Annual Financial Statements be accepted and read together with their report.

The Audit Committee commends the Department for maintaining an unqualified audit opinion.

Appreciation

The Audit Committee wishes to express its appreciation to the Management of the Entity, Auditor-General South Africa and the WCG Corporate Assurance Branch for the co-operation and information they have provided to enable us to compile this report

Ameen Amod
Chairperson of the Audit Committee
Western Cape Housing Development Fund
Date: 11 August 2017

PART 3: ANNUAL FINANCIAL STATEMENTS

ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2017

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Report of the auditor-general to the Western Cape Provincial Parliament on the Western Cape Housing Development Fund

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Western Cape Housing Development Fund set out on pages 3 to 34, which comprise the statement of financial position as at 31 March 2017, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Western Cape Housing Development Fund as at 31 March 2017, and its financial performance and cash flows for the year then ended in accordance with the Generally Recognised Accounting Practice (SA Standards of GRAP), the requirements of the Western Cape Housing Development Act, 1999 (Act No. 6 of 1999) (WCHDA) and the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of my report.

4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics* for *professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Accounting Officer's Responsibilities and Approval

Restatement of corresponding figures

7. As disclosed in note 5 to the financial statements, the corresponding figures for 31 March 2016 have been restated as a result of errors discovered during the 2016-17 financial year in the financial statements of the Western Cape Housing Development Fund at, and for the year ended, 31 March 2016.

Responsibilities of the accounting officer for the financial statements

8. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the WCHDA and PFMA, and for such internal control as the accounting officer determines is necessary to

   enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

9. In preparing the financial statements, the accounting officer is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the intention is to liquidate the entity or cease operations, or there is no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this report.

Report on the audit of the annual performance report

Introduction and scope

12. I did not audit performance against predetermined objectives, as the Western Cape Housing Development Fund is not required to prepare a report on its performance against predetermined

objectives. The entity does not fall within the ambit of the PFMA and the entity-specific legislation does not require reporting on performance against predetermined objectives.

Report on audit of compliance with legislation

Introduction and scope

13. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the compliance of the entity with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
14. I did not identify any instances of material non-compliance in respect of the compliance criteria for the applicable subject matters.

Other information

15. The entity's accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements and the auditor's report.
16. My opinion on the financial statements and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

17. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected programmes presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Internal control deficiencies

18. I considered internal control relevant to my audit of the financial statements and compliance with applicable legislation; however, my objective was not to express any form of assurance thereon. I did not identify any significant deficiencies in internal control.

Accounting Officer's Responsibilities and Approval

Auditor-General

Cape Town

31 July 2017

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Accounting Officer's Responsibilities and Approval

Annexure – auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected programmes and on the entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in the auditor's report, I also:
   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer.
   - conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern.

Accounting Officer's Responsibilities and Approval

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

Accounting Officer's Responsibilities and Approval

The Accounting Authority is required by the Public Finance Management Act (Act1 of 1999), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting Authority to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Authority acknowledges that he is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Accounting Authority to meet these responsibilities, the entity sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The Accounting Authority is of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements.

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However, any system of internal financial control can provide only reasonable and not absolute assurance against material misstatement or deficit.

During the financial year a number of processes were put in place to mitigate the audit outcome of the prior year. These include doing a physical verification of 90% of the immovable asset register of the Western Cape Housing Development Fund. High risk properties were identified and physically verified.

Large general plan erven that have been subdivided, have been individually inspected for ownership and adjustments made to the asset register. Valuation and classification adjustments were also resolved.

The methodology adopted was to use the geographical information System (GIS) to identify the classification of immovable property.

All immovable properties have been verified for ownership where the land parcel identity code, title deed number and size as at 31 March 2017 have been updated.

The policy on immovable assets has been amended to take into account any ambiguities contained therein.

The Accounting Authority would like to indicate that the Western Cape Housing Development Fund does not have a bank account registered in their name, as such, the Cash Flow statement and the Statement of Budget vs Actual figures have been presented in the annual financial statements for GRAP compliance only.

The performance of the Western Cape Housing Development Fund has been reported under Programme 4 of Vote 8: Provincial Department of Human Settlements.

The entity is wholly dependent on the Department of Human Settlements for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the Department of Human Settlements has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Accounting Officer's Responsibilities and Approval

The annual financial statements set out on pages 5-34, which have been prepared on the going concern basis were approved by the Accounting Officer on 31 May 2017 and were signed on its behalf by:

T Mguli
Accounting Officer

Statement of Financial Position as at 31 March 2017

Figures in Rand thousand	Note(s)	2017	2016 Restated*
Assets			
Receivables from exchange transactions		-	-
Loan Receivables		-	-
Other Receivables		-	-
		-	-
Non-Current Assets			
Property, plant and equipment			
Liabilities			
Current Liabilities			
Payables from exchange transactions		-	-
Assets		-	-
Liabilities		-	-
Net Assets			
Reserves			
Revaluation reserve			
Accumulated deficit		-	-
Total Net Assets		-	-

Statement of Financial Performance for the year ended 31 March 2017

Figures in Rand thousand	Note(s)	2016	2015 Restated*
Revenue			
Administration fees received		-	-
Interest received		-	-
Total revenue from exchange transactions		-	-
Revenue from non-exchange transactions			
Transfer revenue			
Reversal of impairment			
		-	-
Expenditure			
Depreciation		-	-
Bad debt written off		-	-
Loss on disposal of assets		-	-
Total expenditure		-	-

Statement of changes in Net Assets

Figures in Rand thousand net	Revaluation Reserve	Accumulated Deficit	Total assets
Opening balance as previously reported	1,925,295	(230,527)	1,694,768
Adjustments			
Correction of errors		-	-
-			
Prior year adjustments - note 5	(1,925,295)	230,527	(1,694,768)
Restated* Balance at 01 April 2015	-	-	-
Changes in net assets			
Release of the revaluation reserve	-	-	-
Net income (losses) recognised directly in net assets	-	-	-
Total recognised income and expenses for the year	-	-	-
Changes in revaluation surplus arising from changes in		-	-
-			
existing decommissioning, restoration and similar liabilities			
Total changes	-	-	-
Restated* Balance at 01 April 2015			
Changes in net assets	-	-	-
Total recognised income and expenses for the year	-	-	-
Release of the revaluation reserve		-	-
-		-	
Net income (losses) recognised directly in net assets		-	
-			
Release of accumulated depreciation on revaluations			
-			-
Total changes	-	-	-
Balance at 31 March 2017	**-**	**-**	**-**

Note(s)

Cash Flow Statement	Note(s)	2017	2016 restated
Cash flows from operating activities			
Revenue		-	-
Sale of goods and services		-	-
Grants		-	-
Interest income		-	-
Other receipts			
		-	-
Payments			
Suppliers		-	-
Other payments		-	-
		-	
Cash flows from investing activities			
		-	
Proceeds from sale of property, plant and		-	-
Increasing(Decrease) in Loans Receivable			
Net cash flows from investing activities		-	-
		-	-
Cash flows from financing activities			
		-	-
Proceeds from other financial liabilities			
Net increase/(decrease) in cash and cash			
Cash and cash equivalents at the beginning of the		-	-
Effect of exchange rate movement on cash		-	-
Cash and cash equivalents at the end of the year		-	-

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual basis

Figures in Rand thousand	Approved Budget	Adjustments	Final Budget	Actual Amounts on comparable basis	Difference between final and budget and actual
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Administration Fees received	-	-	-	-	-
Interest received (trading)	-	-	-	-	-
Total Revenue from non-exchange transactions	-	-	-	-	-
Revenue from non-exchange transactions					
Transfer revenue					
Provision for impairment	-	-	-	-	-
Total Revenue	**-**	**-**	**-**	**-**	**-**
Expenditure					
Depreciation and amortisation	-	-	-	-	-
Bad debts written off	-	-	-	-	-
Loss on disposal of assets	-	-	-	-	-

Total Expenditure	-	-	-	-	-
Deficit before taxation	-	-	-	-	-
Actual Amount on comparable basis as Presented in the Budget and Actual Comparative Statement	-	-	-	-	-

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual basis

Figures in Rand thousand	Approved Budget	Adjustments	Final Budget	Actual Amounts on comparable basis	Difference between final and budget and actual
Statement of Financial Position					
Assets					
Current Assets					
Receivables from non-routine transactions	-	-	-	-	-
Loans receivable	-	-	-	-	-
	-	-	-	-	-
Non-current Assets					
Property, plant and equipment	-	-	-	-	-
Liabilities					
Current Liabilities					
Payables from exchange transactions	-	-	-	-	-

Statement of Comparison of Budget and Actual Amounts

Net Assets Attributable to					
Owners of Controlling Entity					
Reserves	-	-	-	-	-
Revaluation Reserve	-	-	-	-	-
Accumulated Deficit	-	-	-	-	-
Total Net Assets	**-**	**-**	**-**	**-**	**-**

Accounting Policies

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.
They are presented in South African Rand. All figures have been rounded to the nearest thousand rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Going concern assumption

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months. Although a national decision was made to de-establish the Provincial Housing Funds, the legislative changes to the National Housing Act, 1997 (Act no. 107 of 1997) have not been enacted to allow for the de-establishment of the Fund.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables and loans and receivables

The entity assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. The impairment for trade receivables and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors.

Value in use of cash generating assets

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including economic factors such as inflation and interest.

Accounting Policies

Value in use of non-cash generating assets

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, the remaining service potential of the asset is determined. The most appropriate approach selected to determine the remaining service potential is dependent on the availability of data and the nature of the impairment.

Allowance for impairment

On receivables an impairment loss is Recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3 Property, plant and equipment

Property, plant and equipment are tangible immovable assets that are held for use in the supply of social services, rental to others, or for administrative purposes, and are expected to be used during more than one period. The Fund holds a large housing stock used to provide housing to low income families at below market rental. In this situation the property is held to provide housing services rather than for rentals or capital appreciation and the rental revenue generated is incidental to the purposes for which the property is held. As per guidance provided in GRAP 16: Investment property; such property is not considered an investment property nor inventories and would be accounted for in accordance with the on GRAP on Property Plant and Equipment.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at deemed cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Accounting Policies

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.
Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Accounting Policies

Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Land and Buildings, which is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.
Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.
When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Accounting Policies

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit. Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in net assets related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on a straight line basis over their expected useful lives to their estimated residual value. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	30-70 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.
Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Accounting Policies

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Financial instruments

- It is settled at a future date.

  A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:
- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans receivable	Financial asset measured at amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Other receivables	Financial asset measured at amortised cost

Accounting Policies

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.
The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-Exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value;
- Financial instruments at amortised cost; and

- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or costs, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

Accounting Policies

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Derecognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;
  or

Accounting Policies

- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognises the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognises either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset. If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any

expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-Exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for de-recognition, the entity does not offset the transferred asset and the associated liability.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessor

The entity recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the entity's net investment in the finance lease.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.
Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Accounting Policies

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in the statement of financial performance.

1.6 Impairment of cash-generating assets

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment tests is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

1.6 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does

not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.7 Impairment of non-cash-generating assets

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests0 a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non- replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

1.7 Impairment of non-cash-generating assets (continued)

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.
Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior

periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.
An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future

periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.8 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken;
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity.

No obligation arises as a consequence of the sale or transfer of an operation until the entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised.

1.9 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.
When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest

Revenue arising from the use by others of entity assets yielding interest or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.
Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.10 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.
Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.
Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.
Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.
Transferred assets are measured at their fair value as at the date of acquisition.

Revenue from Department of Human Settlements

Revenue from the Department is assistance by the Department in the form of transfer of resources in return for compliance with conditions relating to operating activities. Revenue is recognised on a systematic basis over periods necessary to match the related costs.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Services in-kind

The entity recognises services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the entity's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the entity discloses the nature and type of services in-kind received during the reporting period.

1.11 Comparative figures

Where necessary; comparative figures have been reclassified to conform to changes in presentation, in the current year.

1.12 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.14 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) This Act; or
(b) The State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or (c) any provincial legislation providing for procurement procedures in that provincial government.
National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Accounting Policies

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.15 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm’s length or not in the ordinary course of business are disclosed.

1.16 Events after reporting date

Accounting Policies

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Figures in Rand thousand 2017 2016

Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact
_ GRAP 108: Statutory Receivables	01 April 2016	The impact of the amendment is not material.
_ GRAP 32: Service Concession Arrangements: Grantor	01 April 2016	The impact of the amendment is not material.
_ IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2016	The impact of the amendment is not material.

2.2 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 April 2017 or later periods:

Standard/ Interpretation:	Effective date Years beginning on or after	Expected impact
• _ GRAP 34 Separate Financial Statements	Not yet determined by Minister of Finance	Unlikely there will be a material impact.

Notes to the Annual Financial Statements

Figures in Rand thousand 2017 2016

• _ GRAP 35: Consolidated Financial Statements	Not yet determined by Minister of Finance	Unlikely there will be a material impact.
• _ GRAP 36: Investments in Associates and Joint Ventures	Not yet determined by Minister of Finance	Unlikely there will be a material impact.
• _ GRAP 37: Joint Arrangements	Not yet determined by Minister of Finance	Unlikely there will be a material impact.
• _ GRAP 38: Disclosure of Interests in Other Entities	Not yet determined by Minister of Finance	Unlikely there will be a material impact.
• GRAP 110: Living and Non-living Resources	Not yet determined by Minister of Finance	Unlikely there will be a material impact.
• _ GRAP 12(as amended 2016): Inventories	1 April 2018	Unlikely there will be a material impact.
• _ GRAP 27(as amended 2016): Agriculture	1 April 2018	Unlikely there will be a material impact.
• _ GRAP 31(as amended 2016): Intangible Assets	1 April 2018	Unlikely there will be a material impact.
• _ GRAP 103(as amended 2016): Heritage Assets	1 April 2018	Unlikely there will be a material impact
• _ GRAP 110(as amended 2016): Living and non-living Resources	1 April 2018	Unlikely there will be a material impact
• _ IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	1 April 2019	Unlikely there will be a material impact
• _ Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	1 April 2018	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

• _ GRAP 20: Related Parties	1 April 2017	Unlikely there will be a material impact
• _ GRAP 26(as amended 2016): Impairment of cash generating assets	1 April 2018	Unlikely there will be a material impact
• _ GRAP 109: Accounting by Principals and Agents	1 April 2017	Unlikely there will be a material impact.
• _ GRAP 21(as amended 2016): Impairment of non-cash-generated assets	1 April 2018	Unlikely there will be a material impact.
• _ GRAP 18(as amended 2016): Segment Reporting	1 April 2018	Unlikely there will be a material impact.
• _ GRAP 17(as amended 2016): Property, plant and Equipment	1 April 2018	Unlikely there will be a material impact.
• _ GRAP 16(as amended 2016): Investment Property	1 April 2018	Unlikely there will be a material impact.
• _ GRAP 106(as amended 2016): Transfers of functions between entities not under common control	1 April 2018	Unlikely there will be a material impact.

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

3. Contingencies

The entity has no contingent assets nor liabilities.

4. Related parties

Relationships
Controlling department
The Department of Human Settlements

Related party transactions.

The activities of the Western Cape Housing Development Fund(WCHDF) are controlled by the Western Cape Department of Human Settlements with the WCHDF being dormant and acting as custodian for the properties which facilitate the Department's service delivery programmes. The performance of the WCDHS is included in Programme 4: Land and Asset Management.

5. Prior period errors

After a Technical consultation with the Auditor General of South Africa and Provincial Treasury it was concluded that the Assets and Liabilities and the related income and expenditure associated of the Western Cape Housing Development fund(WCHDF) is no longer under the control of the WCHDF. These immovable assets and liabilities should not have been accounted for in the manner it has been as it was always under the control of the Department of Human Settlements(DHS). The income of these assets are currently recorded in the Department which results in there being a mismatch with the income and related assets.

It is for this reason that the Financial Statements has been restated retrospectively to illustrate this.
Below is a description of each individual prior period error followed by a summary of the total effect of the prior period errors on the amounts previously disclosed.

Notes to the Annual Financial Statements

Figures in Rand thousand 2017 2016

1. Adjustments affecting the statement of financial position

Property, Plant and Equipment were restated because they did not satisfy the definition of GRAP 17 where it states that assets need to be under the control of the entity in order for the assets to be recognised, as a result these assets have been derecognised and the prior period restated. In fact, since the inception of the Western Cape Housing Development fund was.

As a result, all the immovable assets were wholly restated and are now disclosed in the books of the Department of Human Settlements.

The effect of this adjustment on the prior year is as follows:

Current Assets

	2017	2016
Loans Receivable	4 810	4 613
Accumulated Surplus	(4 810)	(4 613)
Receivables from exchange transactions	81 024	-
Accumulated Surplus	(81 024)	-
	-	-

	2017	2016
	634	
Prior period error	(634)	(569)
	-	-

	2017	2016
	1 776 979	1 890 602
Revaluation reserve	(1 776 979)	(1 890 602)
	-	-

	2017	2016
	(401 607)	
Revaluation Reserve	2 263 786	2 359 577
Prior Period Error restatement	(1 862 179)	(1 894 646)
	-	-

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

The above adjustments represent assets which were never under the control of the Western Cape Housing Development Fund and has been restated as such. These Assets and Liabilities are now disclosed in the notes to the Financial Statements of the Department of Human Settlements.

Adjustments affecting the statement of financial performance

	2017	2016
Depreciation	-	(138 077)
Bad debt written off	-	(9 197)
Loss of disposal of Assets	-	(195)
Interest received	-	642
Administration	-	56
Reversal of impairment	-	12 463
Accumulate Surplus	-	329
	-	-

Statement of financial performance for the year ended 31 March 2017

Revenue from exchange transactions	Balance as previously reported	Prior period error	Restated balance
Administrative fees received	56	(56)	-
Interest received	642	(642)	-
Reversal of impairment	12 463	(12 463)	-
Total revenue	13 161	(13 161)	-

Expenditure

Depreciation	(138 077)	138 077	-
Bad debts written off	(9 197)	9 197	-
Loss on disposal of assets	(195 689)	195 689	-
Total Expenditure	(342 963)	342 963	-

5. Prior period errors (continued)

Statement of financial position at year end 31 March 2017

Assets	Balance as	Prior period error	Restated balance

Notes to the Annual Financial Statements

Figures in Rand thousand

		2017	2016
	previously reported		
Current Assets			
Loans receivable	4 613	(4 613)	-
Total current assets	4 613	(4 613)	-
Non-current Assets			
Property, plant and equipment	1 890 602	(1 890 602)	-
Total non-current assets	1 890 602	(1 890 602)	-
Liabilities			
Current Liabilities			
Payables from exchange transactions	569	(569)	-
Total current liabilities	569	(569)	-
Net Assets			
Accumulated surplus- opening balance	(464 931)	464 931	-
Revaluation reserve	2 359 577	(2 359 577)	-
Total net assets	1 894 646	(1 894 646)	-

6. Budget differences

Material differences between budget and actual amounts

The Accounting Authority would like to indicate that the Western Cape Housing Development Fund does not have a bank account registered in their name, as such, the Statement of Budget vs Actual figures have been presented in the annual financial statements for GRAP compliance only

Notes to the Annual Financial Statements

Figures in Rand thousand	2017	2016

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Western Cape Government